

# RFQ

## **ARS -ACQUIRE, RENOVATE, SELL**

*Renovating undervalued homes to provide homeownership opportunities to LMI households*

---

### **Objective:**

The goal of this program is to transform previously undervalued homes into community assets and create new homeownership opportunities for low- and moderate-income (LMI) first-time homebuyers, thus stabilizing a street, neighborhood, community, and family.

### **Program Description**

The Commonwealth has spent the last ten years creating and refining a very effective means for acquiring, rehabilitating, and selling foreclosed homes under the Neighborhood Stabilization Program (NSP) and [full name of program] (TSP) programs at the Virginia Department of Housing and Community Development (DHCD). To extend this positive momentum DHCD and the Virginia Housing Development Authority (VHDA) have partnered to create ARS (Acquire, Renovate, Sell). This program will allow Grantees to have increased flexibility in several key areas to include acquisition type, region, and resale.

As part of this ongoing effort, VHDA has set aside \$5 million for Round 2 under this pilot program. Under the program, locally-based organizations that meet eligibility criteria will acquire, renovate, and resell undervalued homes to *first time homebuyers*\*.

All activities funded through ARS will benefit individuals and families with incomes at or below **80 percent** of area median income (AMI). This income category is also VHDA income-eligible- as some localities can exceed the 80% AMI.

**An undervalued home is defined as: A home that is below market value. This may include but not be limited to homes that are foreclosed, abandoned, vacant, or distressed, or that have undergone estate sale, divorce sale, years of deferred maintenance, tax sale, or are investor-owned economically-challenged properties.**

### **Eligible Organizations**

Eligible organizations include:

- Localities ( to include entitlement areas);
- Local government housing authorities
- Regional or statewide housing assistance organizations to include non-profits that provide assistance to low- and moderate-income citizens of Virginia

### **Program Design**

ARS funds are available for use throughout the Commonwealth on any undervalued home; Census Tract or neighborhood approval is not required under this program. VHDA foreclosures will be eligible for acquisition in this program; a bi-monthly list of available properties will be emailed to Grantees.

ARS Grantees, through their own capacity or through their partners, will develop a means to identify, acquire, and renovate acceptable properties. The ARS Grantee network is encouraged to leverage local, state, federal, and private resources to increase the program's overall effectiveness.

Under this program the Grantee will acquire the home using their own line of credit, renovate the home with ARS funding using other leveraged sources if necessary, and resell the property at **fair market value**. The home will be marketed for the first 60 days to a first-time homebuyer\*, at which time the property can be sold to any LMI applicant who will occupy the home as their primary residence. The rehabilitation funds will be returned to VHDA as program income, and the Grantee retains all net proceeds from the sale of the home. This program is designed for the resale of homes and **will not** contain a rental component.

ARS funds will provide a maximum of \$45,000 per home for housing rehab. The \$45,000 will include \$2,000 to the Grantee as *pay for performance deliverables*, \$2,500 rehab specialist fee, and the remainder of \$40,500 will be available for rehab draws and contingencies. The rehab funds will be used to remediate deficiencies in the condition of the home and place it in a comparable marketable state.

ARS will not provide administrative fees or Developer Fees to the Grantees. The pay for performance deliverable payment schedules are as follows: Acquisition deliverable \$500, Rehab Deliverable \$1,000, and Resale Deliverable \$500.

Upon resale the program will provide a down payment subsidy should the homebuyer obtain a VHDA first mortgage.

FNMA VHDA	2% DPA
FHA VHDA	2.5% DPA
VA/USDA	2.0% DPA

The ARS down payment is a GRANT and there are no payments or affordability requirements.

The renovation funds will be returned as program income to VHDA; a decision to subsequently fund similar activities through ARS Program Income may come in the future.

ARS will not provide closing costs assistance for the Grantee or homebuyer. Leveraged sources must be utilized for these costs.

\* First-time homebuyer definition: Individual or family with no prior ownership in any owner-occupied primary residence during previous three years. Does not apply when purchasing property in **Areas of Economic Opportunity** <https://www.vhda.com/Homebuyers/VHDAHomeLoans/Pages/Federal-Targeted-Area-Limits.aspx#.WxbYnPk vzGg>

**Example:**

Grantee Acquires Home	\$ 75,000.00	Uses LOC – repaid at resale
Carrying Costs	\$ 4,000.00	Uses LOC- repaid at resale
Grantee closing costs	\$ 2,000.00	Paid out of proceeds
Total costs- Grantee	\$ 81,000.00	
Renovation Funds Drawn	\$ 35,500.00	See below
Pay for Per./Specialist fees	4,500.00	Paid to 3 <sup>rd</sup> party/ Grantee
Gross Total ARS NTE 45k	40,000.00	
VHDA FHA 2.5%	\$ 3,400.00	Grant Funds / DPA
Net ARS funds	\$ 35,500.00	
<b>Market Rate Sales Price</b>	<b>\$126,000.00</b>	
<b>Grantee Returns PI</b>	<b>\$ 35,500.00</b>	<b>Returned to DHCD/VHDA</b>
<b>Grantee Nets</b>	<b>\$ 9,500.00</b>	<b>Grantee's Profit</b>

## RFQ Directions

---

The Virginia ARS Program RFQ will be sent via Constant Contact. In order to gauge current capacity and experience to perform core functions all interested parties must submit their response to the RFQ by close of business (5:00 pm EST) on August 23, 2019 to Cheri Miles via email: [Cheri.Miles@dhcd.virginia.gov](mailto:Cheri.Miles@dhcd.virginia.gov). Please provide detailed information within each core function/capacity.

**Applications will be submitted electronically through the Agency's Centralized Application and Management System (CAMS).**

If your agency is not already registered; you must register within the CAMS system and complete an organizational profile. The registration is free and located on our webpage ([www.dhcd.virginia.gov](http://www.dhcd.virginia.gov)). A user guide is located on the home page; however if you have any questions in completing your registration you may contact Cheri Miles via phone or email: (804) 371-7114 or [Cheri.Miles@dhcd.virginia.gov](mailto:Cheri.Miles@dhcd.virginia.gov).

## Request for Qualifications

1. Regional Approach
  - a. Demonstrated understanding of the local housing market including the foreclosure market
  - b. Prefer the ability to work in a regional area
  - c. Demonstrating strong potential for quickly restoring units to homeownership
2. Acquisition- DRAFT Question- To be finalized prior to 8/30/19
  - a. Provide details of a funding source with a minimum of \$250,000 or that is sufficient to acquire two properties at any one time- whichever is greater / Or the ability to secure this funding source within 30 days of the ARS contract
  - b. Prior experience ( NSP, TSP, or other program) in acquiring undervalued properties
3. Rehabilitation
  - a. Perform a scope of work, accurate estimates and bids for renovation of residential unit
  - b. Solicit and procure licensed contractors in local service area
  - c. Evaluate qualifications and award bid
  - d. Monitor, evaluate, and provide progress reports
  - e. Have or have access to licensed risk assessor
4. Project Management
  - a. Prior organizational experience in administering a DHCD housing rehab project to include (NSP, TSP, CDBG, IPR, Weatherization) or similar in-house program
  - b. Experienced staff/ management team to include housing counselor, rehab specialist, grant administrator, accounting staff, or the ability to quickly development a team within 30 days of notification of Grant approval
  - c. Established partnerships with lenders, servicers, realtors, title companies, appraisers, and attorneys or the ability to quickly develop these relationships within 30 days of notification of Grant approval
  - d. Prior experience with CAMS /DHCD's monitoring site for ARS documentation or the ability to attend DHCD training within 30 days of notification of Grant approval
5. Financial
  - a. Experienced accounting staff
  - b. Established accounting system for rehabilitation of multiple housing units in different areas
  - c. Ability to monitor budget and expenses and provide supporting documents for reimbursement
  - d. Demonstrated line of credit to work on reimbursement basis
  - e. Experience in leveraging additional match funds: Federal Home Loan Bank of Atlanta (FHLBAT), HOME, Local Resources, etc.
6. Marketing
  - a. US Department of Housing and Urban Development (HUD)-approved Housing Counselor on staff or MOU with HUD-approved Housing Counselor to provide homebuyer education
  - b. Pipeline of potential homebuyers or exhibit knowledge on outreach and marketing to identify and attract qualified LMI first-time homebuyers
  - c. Demonstrated outreach to community lenders, employers, other nonprofits
  - d. Capacity to sell homes as *for sale by owner* (FSBO)